

LATVENERGO CONSOLIDATED UNAUDITED CONDENSED FINANCIAL STATEMENTS FOR 2022

28.02.2023, Riga

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Information about the financial indicators and coefficients used by the Latvenergo Group is available in Latvenergo Group's consolidated and Latvenergo AS Unaudited Annual Financial statements, see the section “Formulas”.

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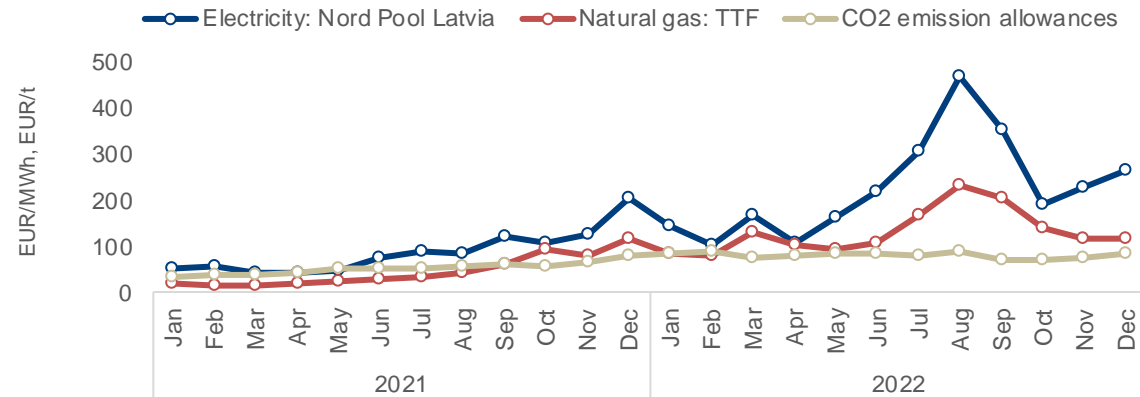
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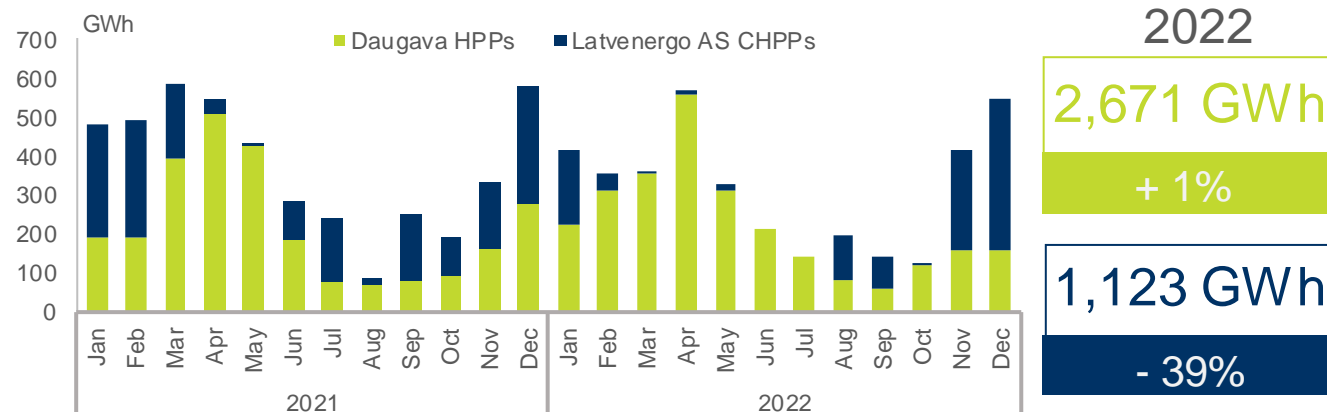
Record-high prices of electricity and energy resources

Main facts – 2022

- Electricity prices impacted by:
 - record-high prices of energy resources
 - lower generation of hydropower plants in the Nordics
- The price of natural gas at TTF virtual trading point (front month) almost 3x higher, reaching 132 EUR/MWh (2021: 47 EUR/ MWh)
- The average price of CO2 emission allowances (EUA DEC.22) 53% higher, exceeding 81 EUR/t (2021: 53 EUR/t)

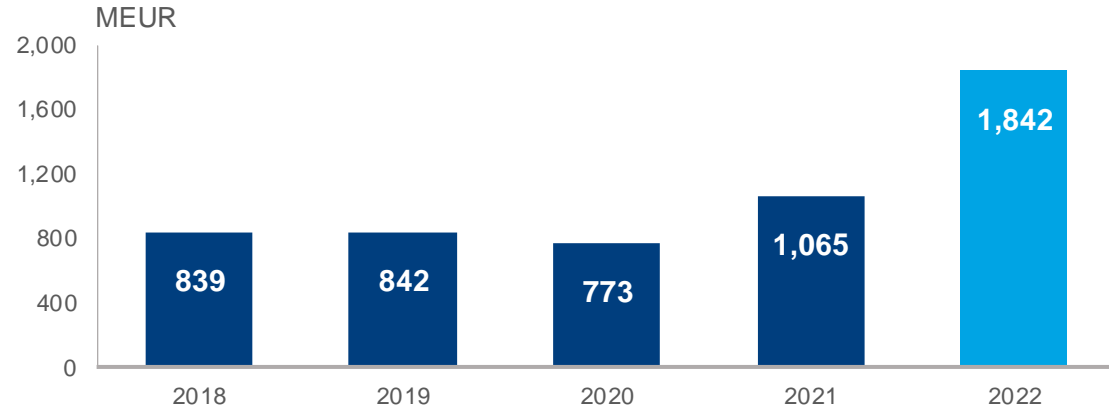


Electricity generation decreased by 15%

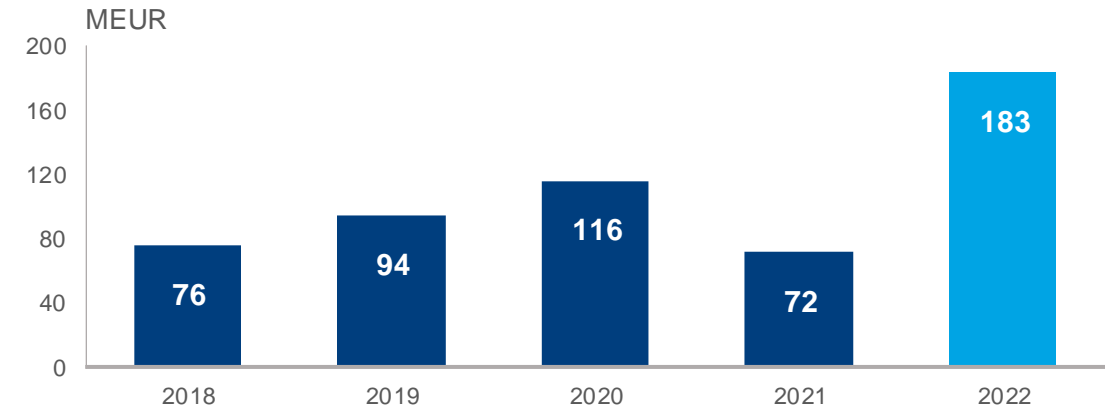


Key financial figures

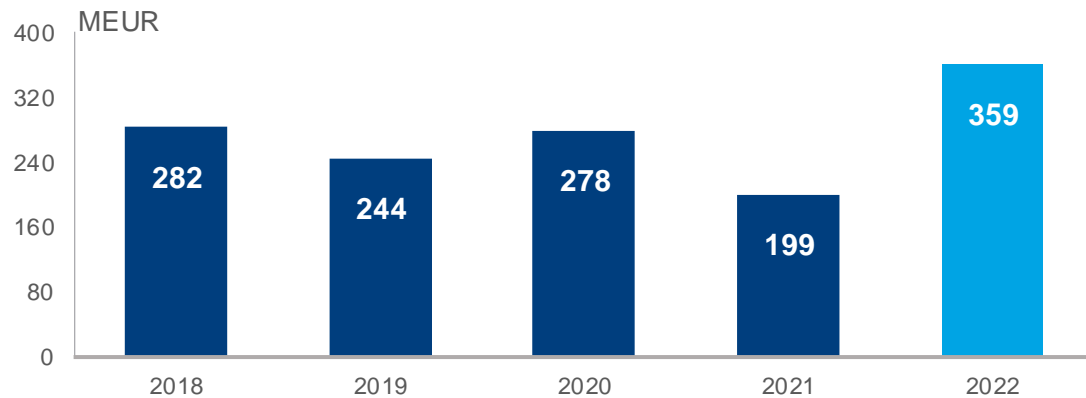
Revenue*



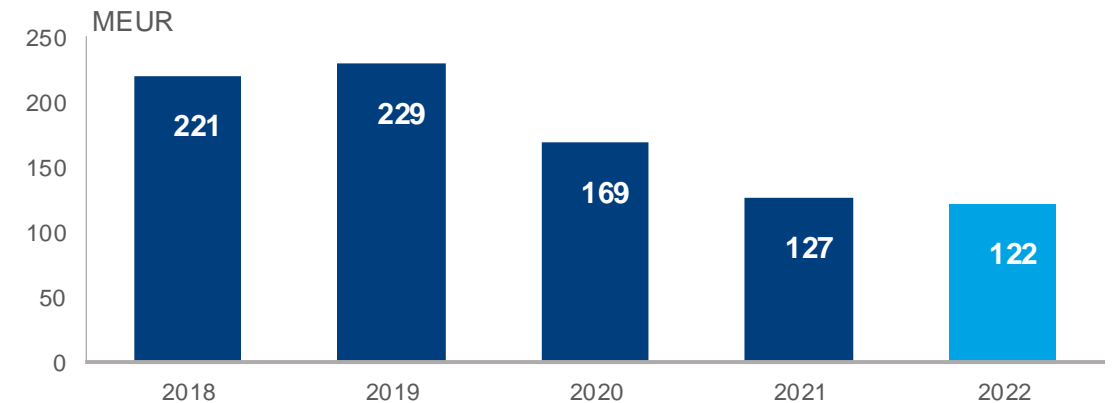
Net profit



EBITDA*



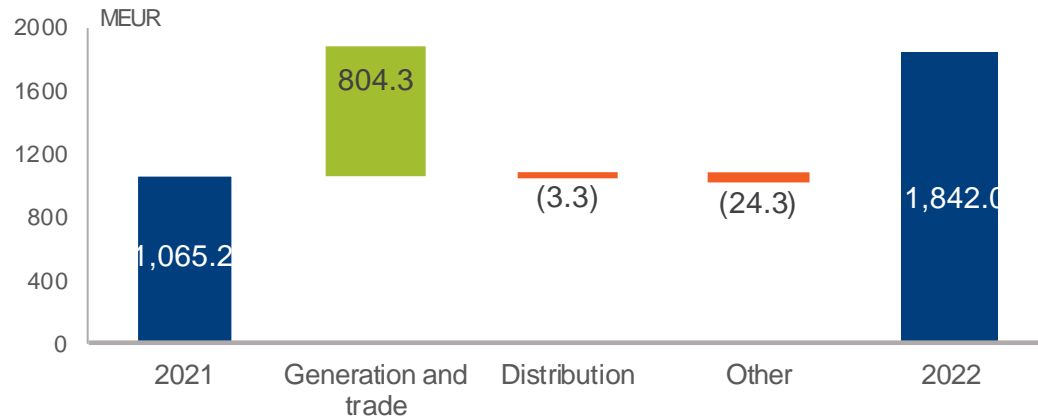
Investments



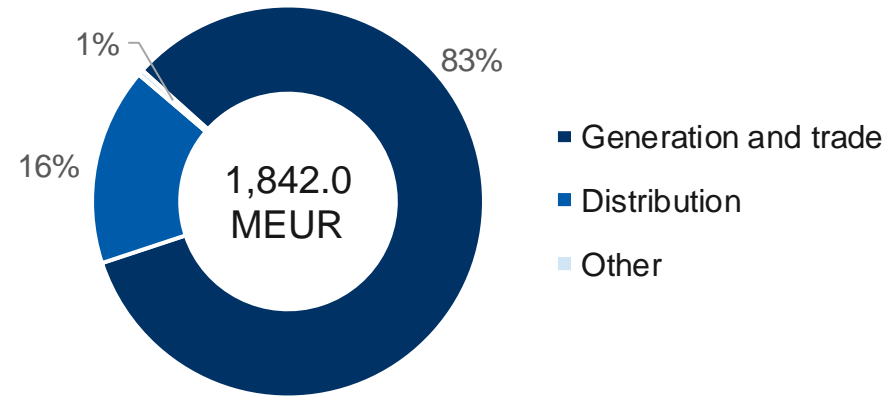
* Figures and ratios until 10 June 2020 are presented by excluding discontinuing operations (unbundling transmission system asset ownership). For more details, please see the Group's annual report for 2020

Latvenergo Group's EBITDA increased by 81%

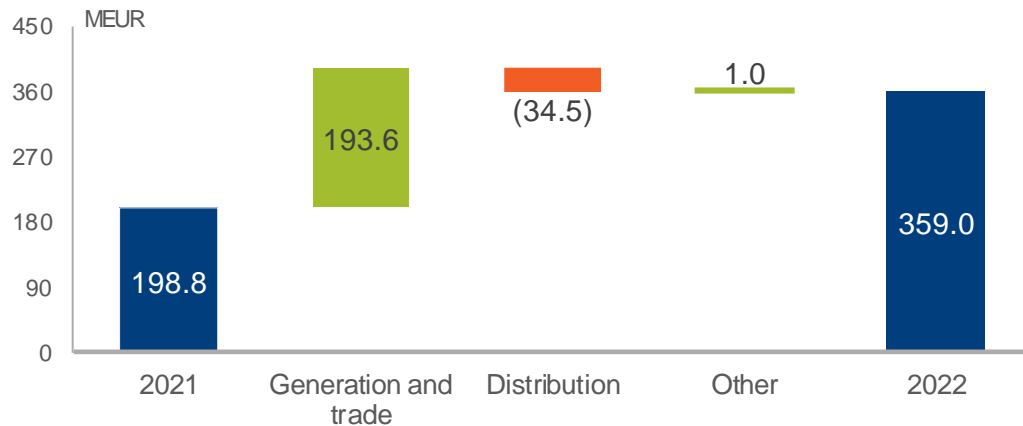
Revenue dynamics by segments



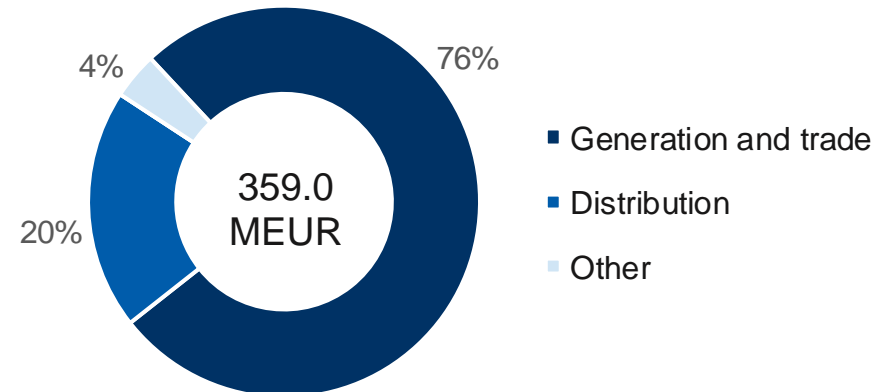
Revenue weight by segments



EBITDA dynamics by segments

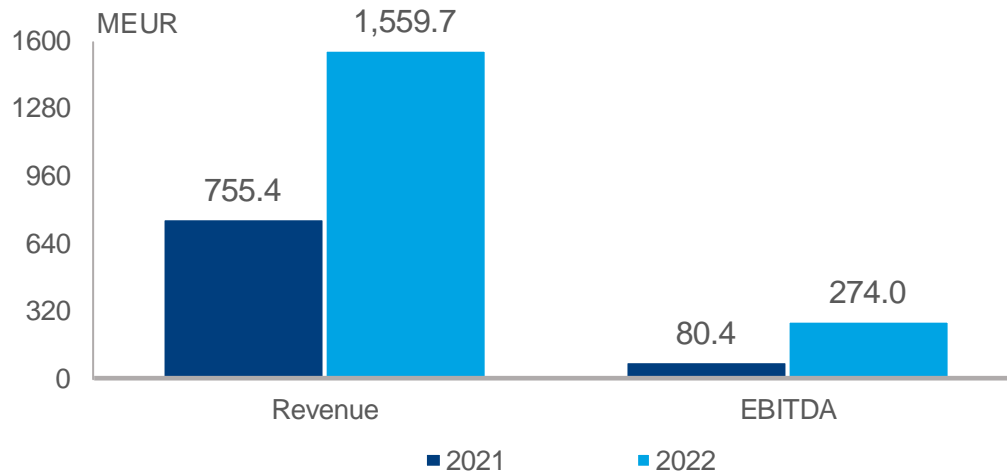


EBITDA weight by segments



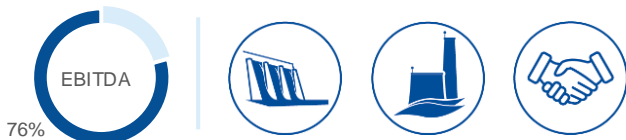
Generation and trade

Revenue and EBITDA



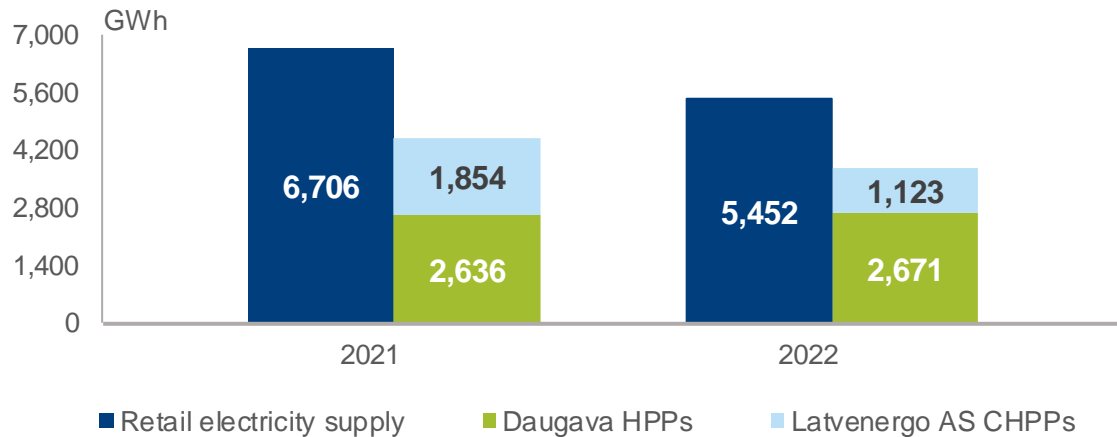
Main facts – 2022

- The segment’s revenue positively mainly impacted by higher energy sales revenues mainly due to higher electricity and natural gas market prices
- The segment’s EBITDA positively impacted by:
 - the adjustment of electricity sales prices to the market situation
 - successfully concluded derivative financial instruments, which partially limited the negative impact of the increase in costs due to the significant increase in the prices of energy resources in the market
- Latvenergo Group operates in all energy trade segments in Latvia, Lithuania and Estonia
- As of 1 September 2022, the average PSO fee is not applied



Latvenergo – largest green electricity producer in the Baltics

3,822 GWh of electricity generated



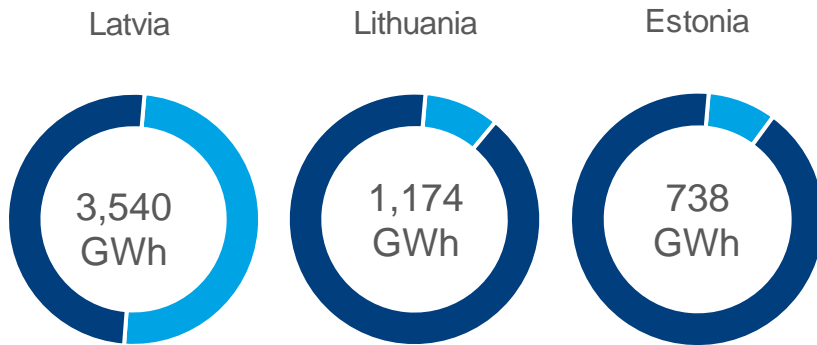
70% of electricity generated from renewable sources

- *Latvenergo* – produced 24% of the total electricity generated in the Baltics
- Electricity generated at *Latvenergo* corresponds to 70% of the amount of electricity sold in retail
- Power generation at the Latvenergo AS CHPPs decreased by 39% due to record-high prices of natural gas and CO2 emission allowances
- The amount of thermal energy generated decreased by 14% due to warmer weather conditions, reaching 1,777 GWh
- SIA Latvijas vēja parki, a joint venture of Latvenergo AS and Latvijas valsts meži AS was established for the development of wind energy in Latvia; a cooperation memorandum was signed with RWE

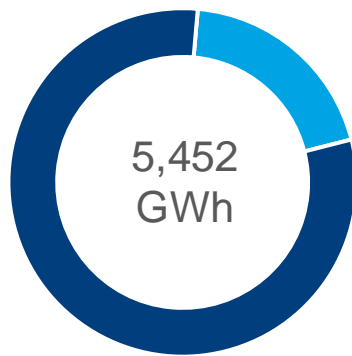


Trade

Retail electricity supply*



The Baltics



■ Latvenergo Group ■ other suppliers

The number of *Elektrum* customers increased by 8%



The number of *Elektrum* customers outside Latvia increased almost 2x, exceeding 175,000.



5.5 TWh of electricity sold to Baltic retail customers.



0.9 TWh of natural gas sold to Baltic retail customers. The number of customers increased by 15%.



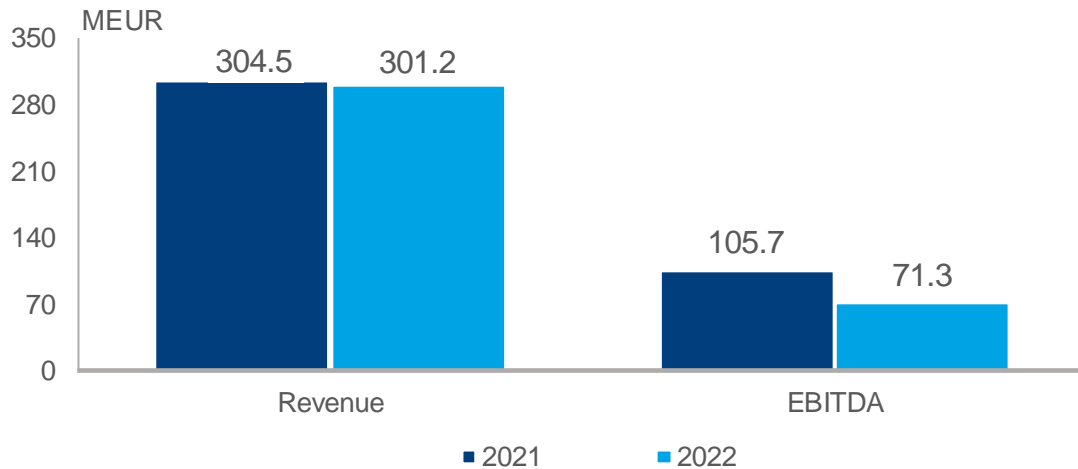
More than 6,200 contracts were concluded for the installation of solar panels. Installed solar capacity in the Baltics comprised 38 MW.



More than 24,000 electric vehicle charges were made at the *Elektrum Drive* electric car charging stations.

Distribution

Revenue and EBITDA



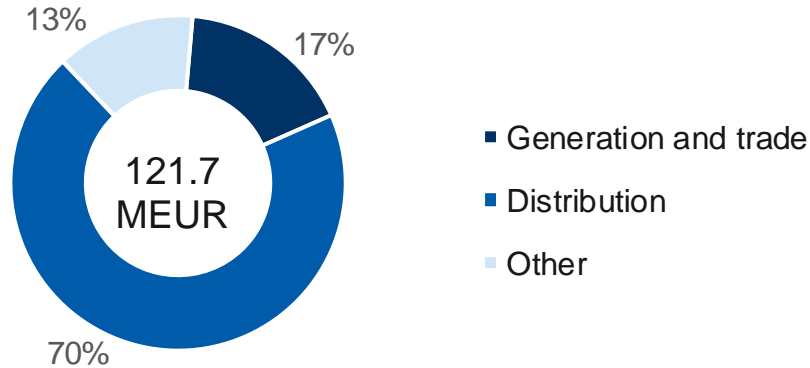
Main facts – 2022

- Electricity distributed decreased by 4%, reaching 6.2 TWh (2021: 6.5 TWh)
- Financial performance was negatively impacted by:
 - higher electricity loss costs with the electricity market price in Latvia increasing 2.5x
 - lower consumption due to higher price of electricity and warmer winter
- Capital expenditure in distribution assets reached 84.6 MEUR (2021: 84.8 MEUR)
- Considering the increase in costs, Sadales tīkls AS developed and submitted a new tariff project for PUC evaluation in November



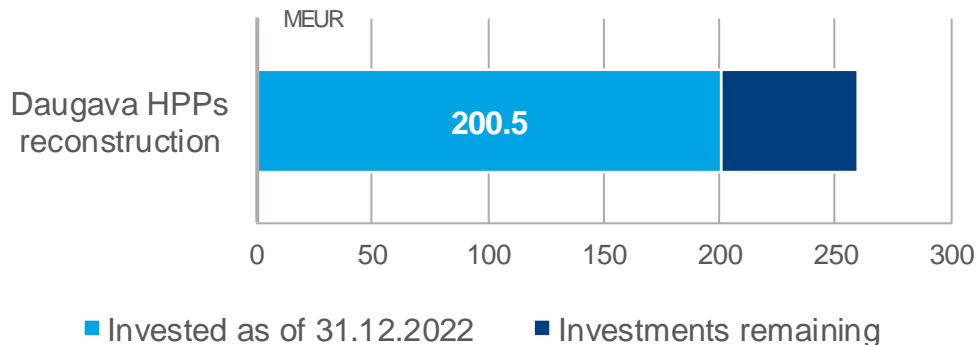
Investments

Investment in distribution network assets – 2/3 of the total



- Investments in network assets allows to improve the quality of the power network services and technical parameters

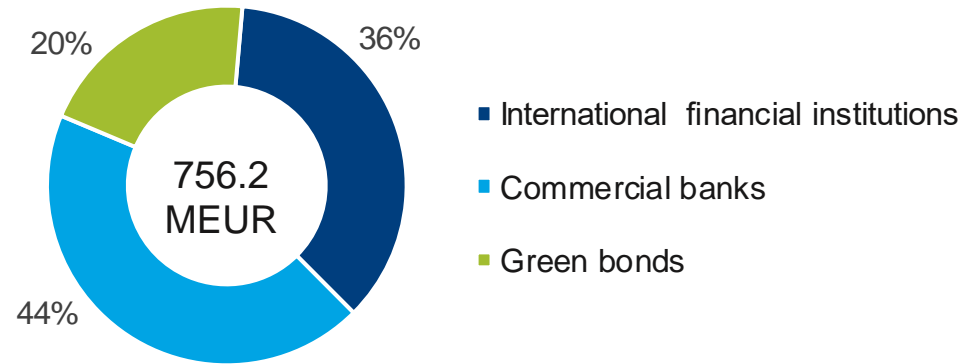
Major investment project



The reconstruction will provide for further 40-year operation of hydropower units

Investment funding

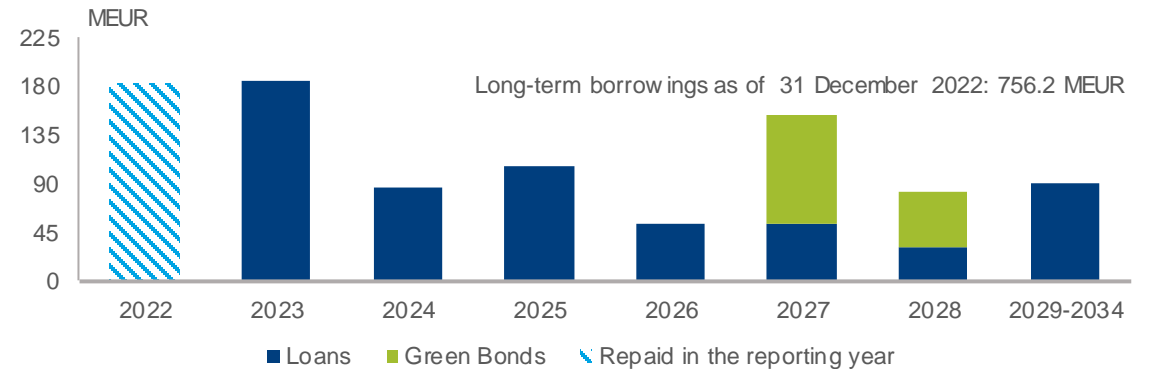
Diversified long-term funding



Main facts – 2022

- In May, Latvenergo AS issued five-year green bonds in the total nominal value of EUR 100 million; in February, 2023, six-year green bonds in the total nominal value of EUR 50 million were issued
- In October and November, Latvenergo AS attracted new long-term loans from commercial banks in the amount of EUR 200 million
- In January 2022, Moody’s published an updated Credit Opinion of Latvenergo AS: Baa2 (stable)

Long-term debt repayment schedule



Main figures of the long-term debt portfolio

	31.12.2022
Share of fixed interest rate*	36%
Average Fixed Interest Rate Period*	1.8 years
Effective weighted average interest rate*	1.2%

* with interest rate swaps

Thank you!

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Daugava HPPs – Daugava hydropower plants

EBITDA – Earnings before interest, corporate income tax, share of profit or loss of associates, depreciation and amortization, and impairment of intangible and fixed assets

EU – European Union

IFRS – International Financial Reporting Standards

MEUR – Million euros

MWh – Megawatt hour (1,000,000 MWh = 1,000 GWh = 1 TWh)

PSO fee – Public service obligation fee

CHPPs – Latvenergo AS combined heat and power plants

SAIDI – System Average Interruption Duration Index

SAIFI – System Average Interruption Frequency Index

WPP – Wind power plant

Consolidated Statement of Profit or Loss*

	EUR'000	
	2022	2021
Revenue	1,841,972	1,065,219
Other income	31,174	29,428
Raw materials and consumables	(1,335,137)	(740,127)
Personnel expenses	(116,993)	(105,623)
Other operating expenses	(62,065)	(50,084)
EBITDA	358,951	198,813
Depreciation, amortisation and impairment of intangible assets, property, plant and equipment (PPE) and right-of-use assets	(165,547)	(116,923)
Operating profit	193,404	81,890
Finance income	1,414	2,110
Finance costs	(10,829)	(9,070)
Profit before tax	183,989	74,930
Income tax	(572)	(3,307)
Profit for the reporting year	183,417	71,623
Profit attributable to:		
- <i>Equity holder of the Parent Company</i>	182,986	70,675
- <i>Non-controlling interests</i>	431	948

Consolidated Statement of Financial Position*

	EUR'000	
	31/12/2022	31/12/2021
ASSETS		
Non-current assets		
Intangible assets	51,789	53,557
Property, plant, and equipment	3,006,071	2,826,654
Right-of-use assets	10,526	8,312
Investment property	2,297	3,316
Non-current financial investments	40	40
Other non-current receivables	476	2,544
Deferred income tax assets	–	79
Derivative financial instruments	8,131	–
Total non-current assets	3,079,330	2,894,502
Current assets		
Inventories	278,694	192,132
Current intangible assets	31,664	24,266
Receivables from contracts with customers	311,045	181,136
Other current receivables	20,591	59,740
Deferred expenses	2,408	1,235
Prepayment for income tax	–	65
Derivative financial instruments	2,598	25,735
Cash and cash equivalents	112,757	97,079
Total current assets	759,757	581,388
TOTAL ASSETS	3,839,087	3,475,890
EQUITY AND LIABILITIES		
EQUITY		
Share capital	790,368	790,368
Reserves	1,282,683	1,175,355
Retained earnings	275,785	151,430
Equity attributable to equity holder of the Parent Company	2,348,836	2,117,153
Non-controlling interests	7,126	6,295
Total equity	2,355,962	2,123,448
LIABILITIES		
Non-current liabilities		
Borrowings	574,754	614,075
Lease liabilities	8,648	6,540
Deferred income tax liabilities	667	2,955
Provisions	15,566	15,421
Derivative financial instruments	–	2,332
Deferred income from contracts with customers	133,116	137,019
Other deferred income	121,180	146,115
Other non-current liabilities	265	–
Total non-current liabilities	854,196	924,457
Current liabilities		
Borrowings	301,164	180,954
Lease liabilities	2,027	1,888
Trade and other payables	149,488	189,018
Deferred income from contracts with customers	29,330	15,031
Other deferred income	24,901	24,906
Derivative financial instruments	122,019	16,188
Total current liabilities	628,929	427,985
Total liabilities	1,483,125	1,352,442
TOTAL EQUITY AND LIABILITIES	3,839,087	3,475,890

* The Latvenergo Consolidated Unaudited Condensed Financial Statements for 2022 are prepared in accordance with the IFRS as adopted by the European Union

Consolidated Statement of Cash Flows*

	EUR'000	
	2022	2021
Cash flows from operating activities		
Profit before tax	183,989	74,930
Adjustments:		
– Depreciation, amortisation and impairment of intangible assets, property, plant, and equipment and right-of-use assets, and loss from disposal of non-current assets	208,776	164,560
– Net financial adjustments	19,488	20,376
– Other adjustments	509	(2,364)
Interest paid	(9,186)	(9,543)
Interest received	27	2,432
Paid corporate income tax	(2,648)	(6,867)
Funds from operations (FFO)	400,955	243,524
Increase in current assets	(176,429)	(173,920)
(Decrease) / increase in trade and other liabilities	(51,383)	62,145
Net cash flows generated from operating activities	173,143	131,749
Cash flows from investing activities		
Repayment of loans to related parties	–	86,672
Purchase of intangible assets and property, plant and equipment	(164,854)	(189,749)
Proceeds from redemption of other financial investments	–	16,836
Net cash flows used in investing activities	(164,854)	(86,241)
Cash flows from financing activities		
Repayment of issued debt securities (bonds)	(100,000)	–
Proceeds on issued debt securities (bonds)	100,000	50,000
Proceeds on borrowings from financial institutions	207,846	79,997
Repayment of borrowings from financial institutions	(129,118)	(77,928)
Received financing from European Union	4	748
Lease payments	(1,583)	(1,195)
Proceeds from non-controlling interests' contributions to share capital	400	–
Dividends paid to non-controlling interests	–	(2,508)
Dividends paid to equity holder of the Parent Company	(70,160)	(98,246)
Net cash flows generated from / (used in) financing activities	7,389	(49,132)
Net increase / (decrease) in cash and cash equivalents	15,678	(3,624)
Cash and cash equivalents at the beginning of the year	97,079	100,703
Cash and cash equivalents at the end of the year	112,757	97,079